

# Making Lifestyle Medicine Financially Rewarding for Health Care Providers: An Actuary's Perspective

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# Agenda

- Introduction to actuaries and my experience with lifestyle medicine
- Describe cost savings that result from reversing chronic disease
- Discuss how an actuarial model can adjust current reimbursement and quality measurement systems resulting in:
  - Improved patient health
  - Financial rewards for providers
- Identify key decision makers within health care payers who can implement this model

# What is an actuary?

Actuaries are responsible for financial security programs (insurance/pension plans) being able to pay promised benefits



International Actuarial Association definition:


“It is the actuary’s job to assist in the scientific analysis and quantification of risks. Expertise in understanding the underlying business dynamics, backed by training in economics, finance, demographics, statistics, and risk management, helps to ensure that actuaries build models which make best use of the available information. In general, actuaries excel in problem solving.”

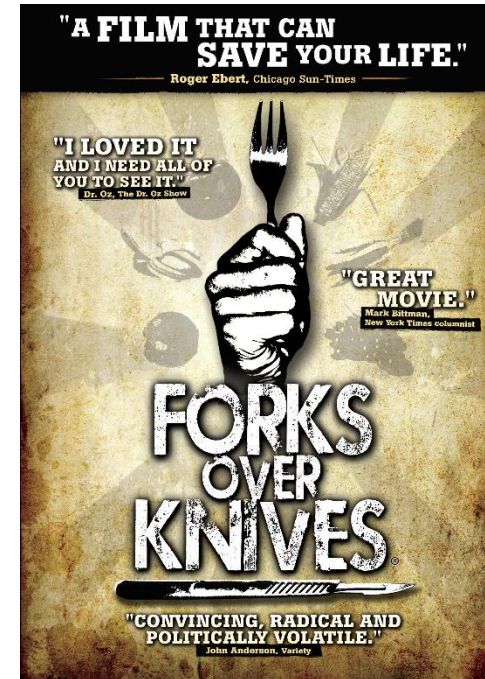
# How did an actuary get involved in Lifestyle Medicine?



- Responsible for determining rate increases on Cancer and Medicare Supplement insurance plans
- Could not determine an alternative solution to higher insurance rates until...

# Watched *Forks Over Knives*, then...

- The solution was simple and logical:   
*"Just eat lots of plant foods; your body will do the math for you."* – T. Colin Campbell
- My Goal: everyone is aware that chronic disease can often be reversed through simple lifestyle changes with only positive side effects.



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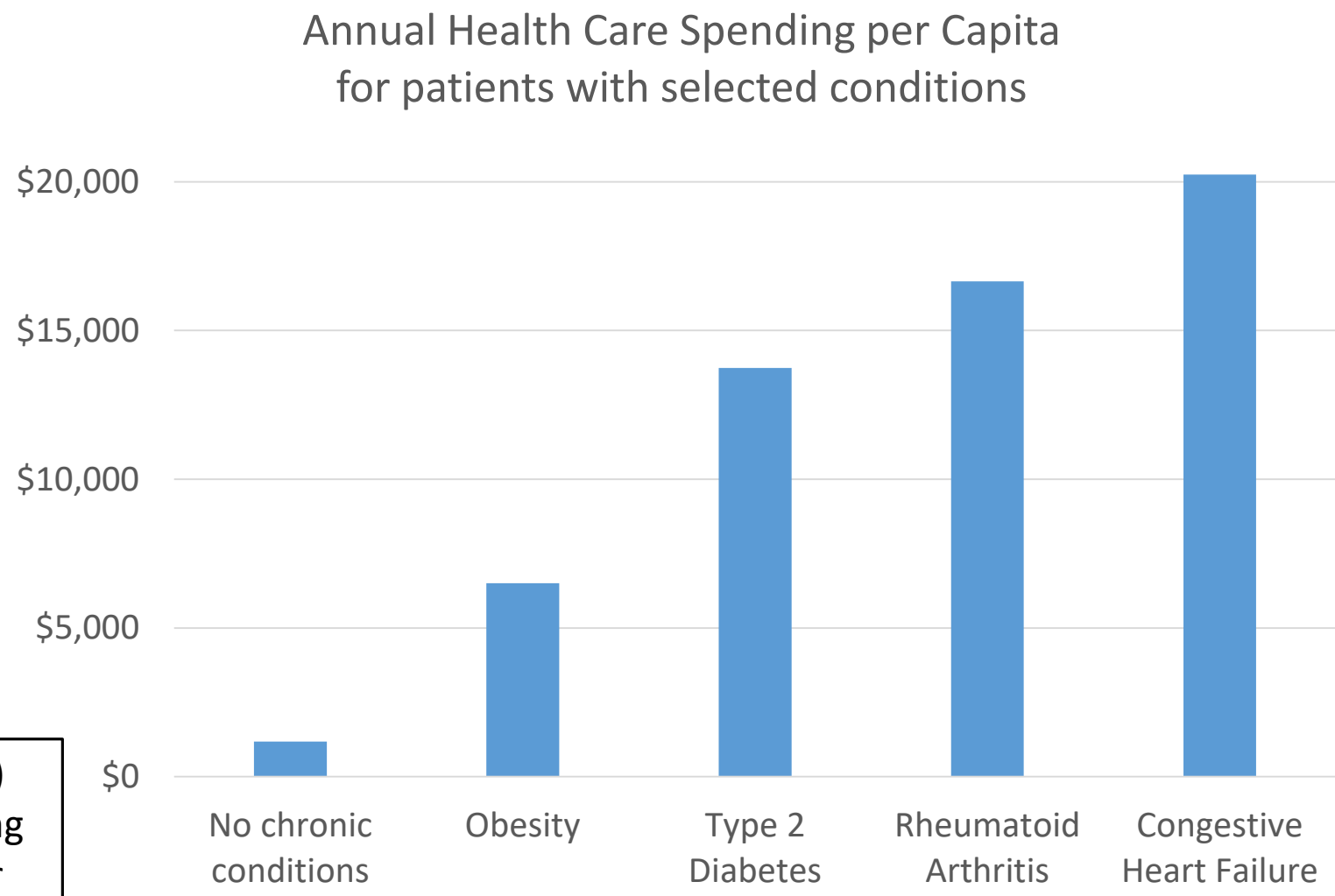
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- Claims experience

# How Can Health Care Costs Can Be Reduced Nationwide?

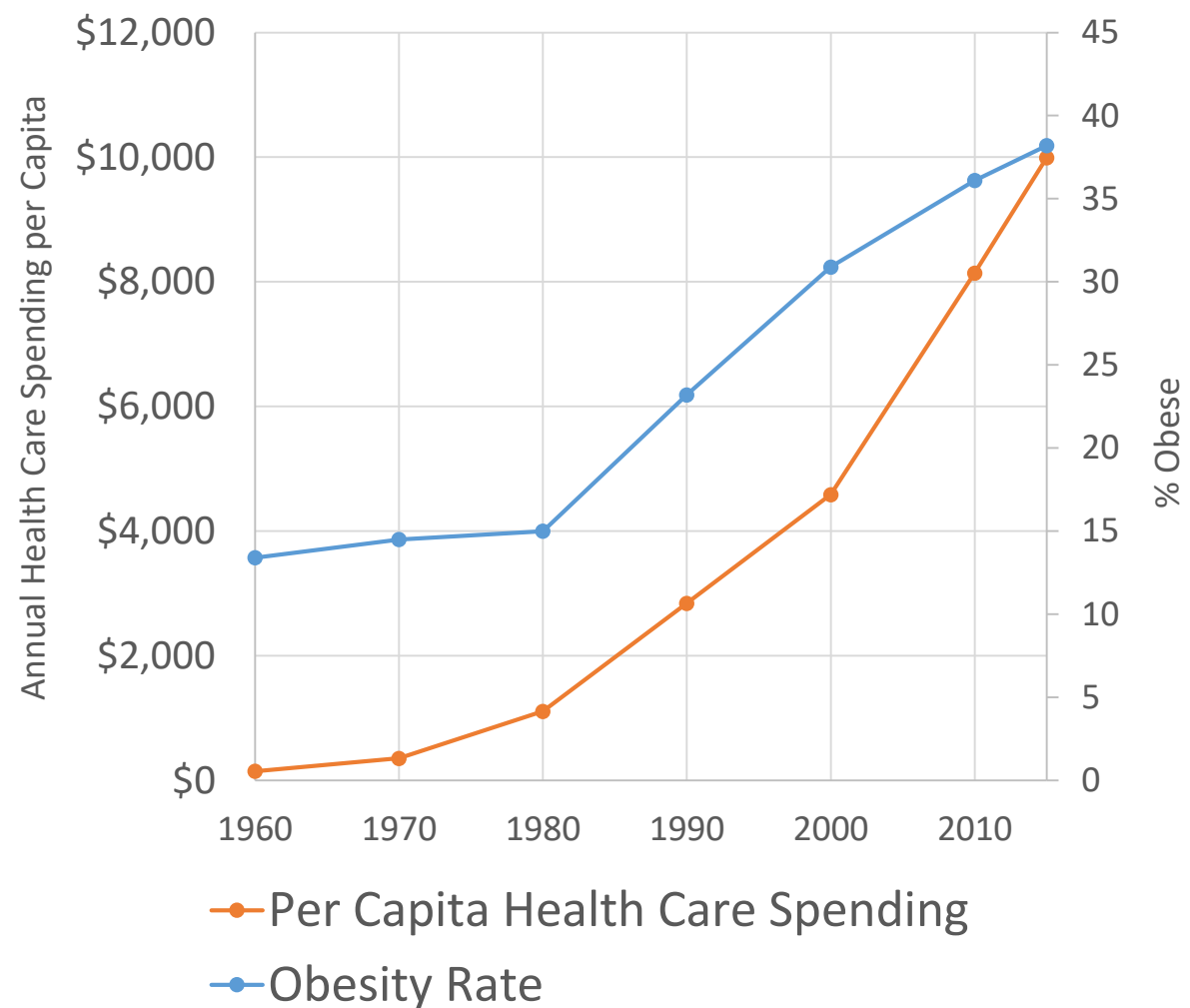
## 1. Reverse Chronic Conditions (>85% of health care spending)

\*\*End-Stage Renal Disease (ESRD)  
\$84,000 annual per capita spending  
See February 2018 ACLM webinar



# How Can Health Care Costs Can Be Reduced Nationwide?

## 2. Accelerate the Use of Lifestyle Medicine to Reverse Chronic Conditions



# How Can the Use of Lifestyle Medicine by Health Care Providers Be Accelerated?

<b>Current Provider Reimbursement: No Incentives to Reverse Chronic Disease</b>
<ul style="list-style-type: none"><li>• Fee-for-service: penalizes health care providers for reversing chronic disease - results in fewer billable services</li><li>• Salary: reimbursement does not typically vary based on patient outcomes</li><li>• Value-based: use “quality” measures (e.g. HEDIS) - typically measure “processes” rather than “outcomes”</li></ul>

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Examples of HEDIS measures:	Normal Readings:
<i>Controlling High Blood Pressure:</i> % of Hypertensive patients with BP < 140/90	< 120/80
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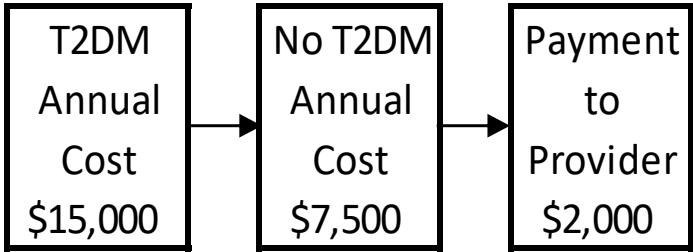
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## New Addition to Provider Reimbursement: Direct Incentives for Reversing Chronic Disease

Payments to health care provider based on cost savings resulting from:  
**improvement in patient health outcomes**

Example:





# How Can Patient Health Outcomes and Cost Savings be Measured?

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(2) Relate change in clinical measures indicating improved patient health to expected cost savings

- BMI
- Cholesterol
- BP
- HbA1c
- CRP
- Endothelial function
- Others?

Example: Every 1 point drop in HbA1c decreases annual health care spending by \$3,000.



# Actuarial Patient Value Model: Financial Incentives Based on Improvement in Patient Health

	Treatment Year				
	1	2	3	4	5+
<b>Diabetic Patient with HbA1c of:</b>	9.0	6.5	6.5	6.5	6.5
<b>Expected Total Health Spending:</b>	\$15,000	\$7,500	\$7,500	\$7,500	\$7,500
<b>PCP Share of Health Spending:</b>	\$1,500	\$750	\$750	\$750	\$750
<b>Incentive Payment to PCP:</b>		\$2,000	\$2,000	\$2,000	\$2,000
<b>Net Savings Relative to Year 1:</b>		\$5,500	\$5,500	\$5,500	\$5,500

# How Can Health Care Providers Participate in the Patient Value Model?

- No new facilities or hiring of additional staff is necessary
- Physician has the lead role to present LM as a viable/attractive option to all patients
- If desired, health care providers can outsource details of lifestyle change education and day-to-day support to third-party experts
- Providers maintain contact with patient to monitor/document changes in health outcomes, adjust medications, and offer ongoing guidance

# Who will implement these financial incentives?



Self-insured payers (employers & unions) – cover nearly 120 million people

- Any reduction in health spending increases profits
- Do not require new laws to be passed and are exempt from insurance regulation
- Many opportunities (just a few successes will initiate widespread adoption)
- Serve as a model for government payers (Medicare/Medicaid)

# 3 Steps for Health Care Providers to Educate Self-Insured Payers About this Payment Model?

(1) Identify key decision makers at self-insured payers and initiate discussion/meetings. Who do you know?

- CEO
- CFO
- Board Members

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- 85%+ of health care costs are from chronic conditions—this needs to be the focus to have a significant impact
- Costs for employees with chronic conditions will continue (and increase) every year they are employed--unless the condition is reversed
- Annual cost savings per person for various conditions (e.g. save \$7,500 annually for every diabetes reversal that occurs)
- Reasons for high long-term adherence rates of LM when properly presented (it actually works!, employees feel better, reduce medications)

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(3) Clarify how this model is different than “wellness” programs the company may be familiar with

- This is a chronic disease reversal plan (not a wellness or prevention program)
- How many employees have reversed diabetes, heart disease, or rheumatoid arthritis with their current “wellness” program?
- No significant upfront capital expenditures
- **Pay for Results: Incentives only paid for documented health improvements and amounts are based on actuarially determined cost savings**
- Long-Term Time Horizon: Recurring incentives to maintain improved employee health over their future lifetime



# Conclusion and Summary

- Current level of health care costs is unsustainable
- Prevention is important, but focus where the money is--chronic disease reversal
- LM offers a solution, but lacks incentives for widespread adoption
- Actuarial Patient Value Model aligns the incentives of patients, providers, payers
- Health care providers can influence key decision makers at self-insured payers
- ACLM/LMERC can provide support